

**REPORT OF THE AUDIT OF THE
LARUE COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



**EDWARD B. HATCHETT, JR.
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary,
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Honorable Linda Carter, LaRue County Clerk
Members of the LaRue County Fiscal Court

The enclosed report prepared by Potter & Company, LLP, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of LaRue County, Kentucky, for the year ended December 31, 2001.

We engaged Potter & Company, LLP, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Potter & Company, LLP, evaluated the LaRue County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**LARUE COUNTY, KENTUCKY
LINDA CARTER, COUNTY CLERK**

**FINANCIAL STATEMENT AND
INDEPENDENT AUDITOR'S REPORT**

Calendar Year 2001

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LARUE COUNTY CLERK

Calendar Year 2001

Potter & Company, LLP has completed the Larue County Clerk's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$4,449 from the prior calendar year, resulting in excess fees of \$67,576 as of December 31, 2001. Revenues increased by \$27,511 from the prior year and disbursements increased by \$31,960.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

**LARUE COUNTY, KENTUCKY
LINDA CARTER, COUNTY CLERK**

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INDEPENDENT AUDITOR'S REPORT

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary,
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Honorable Linda Carter, LaRue County Clerk
Members of the LaRue County Fiscal Court

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of LaRue County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the LaRue County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the LaRue County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the LaRue County Clerk for the year ended December 31, 2001, in conformity with the basis of accounting described in the preceding paragraph.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2002, on our consideration of the LaRue County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



POTTER & COMPANY, LLP
May 31, 2002

LARUE COUNTY, KENTUCKY
LINDA CARTER, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND EXCESS FEES
Calendar Year 2001

Receipts

State Fees for Services	\$	5,698
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Fiscal Court		6,048
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Licenses and Taxes:

Motor Vehicle -

Licenses and Transfers	\$	318,962
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Usage Tax		625,052
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Tangible Personal Property Tax		765,304
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Licenses -

Fish and Game		9,723
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Marriage		3,864
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Lien Fees		3,799
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Deed Transfer Tax		24,482
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Delinquent Tax	<u>56,813</u>	1,807,999
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Fees Collected for Services:

Recording -

Deeds, Easements, and Contracts		10,604
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Real Estate Mortgages		25,675
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Chattel Mortgages and Financing Statements		42,203
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Powers of Attorney		667
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All Other Recordings		11,450
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Charges for Other Services -

Candidate Filing Fees		300
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Copywork		2,501
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Returned Check Fees	<u>746</u>	94,146
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Other:

Mail-ins		576
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Miscellaneous	<u>1,515</u>	2,091
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Interest		<u>2,187</u>
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Gross Receipts		\$ <u>1,918,169</u>
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The accompanying notes are an integral part of the financial statement.

LARUE COUNTY, KENTUCKY
LINDA CARTER, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND EXCESS FEES (CONTINUED)
Calendar Year 2001

Disbursements

Payments to State:

Motor Vehicle -

Licenses and Transfers	\$ 243,311	
Usage Tax	605,116	
Tangible Personal Property Tax	290,980	

Licenses, Taxes, and Fees -

Fish and Game	9,615	
Delinquent Tax	8,011	
Legal Process Tax	<u>13,237</u>	\$ 1,170,270

Payments to Fiscal Court:

Tangible Personal Property Tax	76,965	
Delinquent Tax	7,673	
Deed Transfer Tax	<u>23,257</u>	107,895

Payments to Other Districts:

Tangible Personal Property Tax	364,081	
Delinquent Tax	<u>27,068</u>	391,149

Payments to Sheriff

536

Payments to County Attorney

10,564

Operating Disbursements and Capital Outlay:

Personnel Services -

Deputies' Salaries	53,671	
Part-Time Salaries	19,545	
Training Fringe Benefit	2,189	

Employee Benefits -

Employer's Paid Health Insurance	5,655	
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Contracted Services -

Service Agreement	5,054	
Printing and Binding	2,159	

Materials and Supplies -

Office Supplies	9,078	
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Other Charges -

Conventions and Travel	2,069	
Dues	350	
Postage	3,327	
Miscellaneous	<u>2,176</u>	<u>105,273</u>

Total Disbursements

\$ 1,785,687

The accompanying notes are an integral part of the financial statement.

LARUE COUNTY, KENTUCKY
LINDA CARTER, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND EXCESS FEES (CONTINUED)
Calendar Year 2001

Net Receipts	\$ 132,482
Statutory Maximum	<u>(61,306)</u>
Excess Fees	71,176
Expense Allowance	<u>(3,600)</u>
Excess Fees Due County for Calendar Year 2001	67,576
Payment to County Treasurer	<u>(67,576)</u>
Balance Due At Completion of Audit	\$ <u><u>0</u></u>

The accompanying notes are an integral part of the financial statement.

LARUE COUNTY, KENTUCKY
LINDA CARTER, COUNTY CLERK
NOTES TO FINANCIAL STATEMENT
December 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting:

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

Basis of Accounting:

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

Cash and Investments:

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.00 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the calendar year and is 6.41 percent for the last six months.

LARUE COUNTY, KENTUCKY
LINDA CARTER, COUNTY CLERK
NOTES TO FINANCIAL STATEMENT
December 31, 2001

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

NOTE 3 - DEPOSITS

The County Clerk maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements have been met, and as of December 31, 2001, the County Clerk's deposits are fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which names the County Clerk as beneficiary/obligee on the bond.

NOTE 4 - GRANT

The County Clerk has received a Local Records grant from the Department for Libraries and Archives. At December 31, 2000, the balance of funds remaining from this grant totaled \$4,849, including interest earned. The remaining grant funds were expended in their entirety during 2001. The balance of \$42 as of December 31, 2001, represents the interest earned on the deposited funds since 2000.

NOTE 5 - LEASE

The office of the County Clerk is committed to a lease agreement with Beane Publishing Company for a copier. The agreement requires a monthly payment of \$235 for 36 months ending December 2004. The County Clerk is obligated under this agreement for an amount totaling \$8,225 as of December 31, 2001.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the People of Kentucky

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Dana Mayton, Secretary, Revenue Cabinet
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Honorable Linda Carter, LaRue County Clerk
Members of the LaRue County Fiscal Court

We have audited the statement of receipts, disbursements, and excess fees of the LaRue County Clerk for the year ended December 31, 2001, and have issued our report thereon dated May 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the LaRue County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the LaRue County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the Auditor of Public Accounts and is not intended to be and should not be used by anyone other than the specified party.



POTTER & COMPANY, LLP
May 31, 2002

